FOREIGN OPERATIONS, EXPORT FINANCING AND RELATED AGENCIES APPROPRIATIONS ACT, 1999

The PRESIDING OFFICER (Mr. BURNS). The clerk will report the pending bill.

The assistant legislative clerk read as follows:

A bill (S. 2334) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 1999, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

McConnell/Leahy amendment No. 3491, to provide that the Export Import Bank shall not disburse direct loans, loan guarantees, insurance, or tied aid grants or credits for enterprises or programs in the new Independent States which are majority owned or managed by state entities.

Inhofe amendment No. 3366, to require a certification that the signing of the landmine convention is consistent with the combat requirements and safety of the armed forces of the United States.

Kyl amendment No. 3522, to establish conditions for the use of quota resources of the International Monetary Fund.

Coats amendment No. 3523, to reallocate funds provided to the Korean Peninsula Energy Development Organization to be available only for antiterrorism assistance.

McCain modified amendment No. 3500, to restrict the availability of certain funds for the Korean Peninsula Energy Development Organization unless an additional condition is met.

Mr. MCCONNELL. Mr. President, I ask unanimous consent that when the Senate resumes consideration of the Kyl amendment No. 3522 that there be 40 minutes for debate prior to a motion to table, with the time equally divided and controlled in the usual form, with no intervening amendments in order prior to a tabling vote.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MCCONNELL. Mr. President, the distinguished Senator from Texas has patiently been waiting to offer an amendment.

The PRESIDING OFFICER. The Senator from Texas.

AMENDMENT NO. 3500

Mrs. HUTCHISON. Mr. President, I call up amendment No. 3500.

The PRESIDING OFFICER. If there is no objection, the pending amendment is set aside. If there is no objection, the pending amendment will be the McCain amendment No. 3500.

AMENDMENT NO. 3526 TO AMENDMENT NO. 3500

(Purpose: To condition the use of appropriated funds to the Korean Peninsula Energy Development Organization)

Mrs. HUTCHISON. Mr. President, I send a second-degree amendment to amendment No. 3500 to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Texas [Mrs. HUTCHISON], for herself and Mr. MCCONNELL, proposes an amendment numbered 3526 to amendment No. 3500.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Add the following proviso: (5) North Korea is not providing ballistic missiles or ballistic missile technology to a country the government of which the Secretary of State has determined is a terrorist government for the purposes of section 40(d) of the Arms Export Control Act or any other comparable provision of law.

Mrs. HUTCHISON. Mr. President, I will speak briefly about what Senator MCCAIN and I are trying to do.

My amendment says that no funds will be contributed to North Korea until the President has certified that North Korea is not providing ballistic missiles or ballistic missile technology to a country, the government of which the Secretary of State has determined is a terrorist government.

This adds to Senator MCCAIN's amendment which has the same prohibition of funding for North Korea if they are continuing to build a nuclear weapon.

Senator MCCAIN and I are clearly saying that the United States will not continue to fund an agreement with North Korea that we know is being violated. The McCain amendment deals with the nuclear capability North Korea appears to be building. It would restrict the use of funds for the Korean Peninsula Energy Development Organization pending a Presidential certification that North Korea has stopped its nuclear weapons program as it has promised to do. My amendment adds the requirement that North Korea is not transferring ballistic missile technology to other terrorist countries.

Mr. President, this week, we saw what trying to coerce and reward a totalitarian dictatorship will achieve. North Korea launched a two-stage ballistic missile toward Japan, a country which has provided emergency food relief to North Korea and wound up having a ballistic missile pass through their air space as thanks.

North Korea has admitted selling ballistic missiles to raise hard currency. It has made repeated threats to restart its nuclear program, claiming that the United States has not honored its obligations. Recently we learned of evidence that the North Koreans are ignoring their part of the agreement and building a new underground site for nuclear weapons development.

I raised concerns 4 years ago when the Clinton administration proposed this framework agreement. It seemed to be an all-carrot-no-stick approach to North Korea. The agreement was to help develop a peaceful nuclear program giving them 500,000 tons of heavy fuel oil. I was concerned that the nuclear weapons program would continue and that the fuel oil that we promised would be diverted to military use. I am sorry to say both seem to have occurred. The fuel was diverted almost immediately for military use.

Since signing the agreement, the North Koreans have also continued to conduct military operations against South Korea, sending spy submarines into South Korean waters and discharging commandos on to South Korean territory. This is hardly the behavior of a partner to an agreement, and sending them a no-strings gift of 35 million American taxpayer dollars is hardly a responsible act for the U.S. Congress to make.

The North Korean launch this week of the ballistic missile over the airspace of Japan was truly a shot across the bow of the civilized world. North Korea was warned beforehand that testing this type of missile would have a direct impact on our negotiations. They ignored the warning. We must make it clear to the North Koreans that we cannot and will not disconnect North Korean conventional military activity from the nuclear issue. Their failure to meet their obligations not to build nuclear weapons, nor to sell the technology to rogue nations, cannot be disassociated from our contribution to their country. We must stop rewarding dangerous North Korean provocations. This amendment will ensure that we do just that.

Mr. President, I urge adoption of the second-degree amendment to the McCain amendment.

Mr. MCCONNELL addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. MCCONNELL. Mr. President, I support the amendment by Senator HUTCHISON modifying the bill's language on funding for the Korean Energy Development Organization, which we refer to as KEDO.

I would like to step back for a moment to 1995, shortly after the agreed framework was signed in October of 1994. By March of 1995, there was the first evidence that the North Koreans were cheating. In hearings before this subcommittee and in writing, I challenged the administration's assertions that the North was in full compliance and that no U.S. oil was being diverted. Eventually, it became clear that the North was cheating and diverting oil. Although new monitoring procedures were established, there was no suspension of oil or a threat to cut off the program. I am convinced that this is when the North learned that they could engage in a pattern of challenge, deception and noncompliance without any penalty at all.

In fiscal year 1997, the Senate had an extensive debate about providing U.S. assistance to provide fuel oil to North Korea and to support administrative expenses for KEDO. The bill my subcommittee reported to the Senate capped funds at $13 million, half the administration's request, and provided the funds in three stages, requiring certification that the fuel was not—I repeat, not—being diverted for military purposes.

At that time, many of us were uncomfortable continuing any aid to this terrorist regime, let alone doubling the amount available which the administration had requested. In its statement of policy, this is what the administration had to say at that time about any curbs, cuts or conditions:

> Among our most serious concerns are the restrictions placed on the U.S. contributions to KEDO, especially the funding cap that reduces the request by nearly half. This funding is inadequate to meet our commitment to support the North Korea framework agreement and is unacceptable to the Secretaries of State and Defense. KEDO is one of the pillars of U.S. nonproliferation policy which seeks to ensure strategic stability in the Pacific. Our very modest $25 million request for funds helps continue the reduction of North Korea's nuclear weapons capacity, while leveraging strong burdensharing contributions from South Korea, Japan and other countries. The administration strongly urges the committee to remove the cap . . . and drop the needlessly restrictive certification language.

Again, that is what they had to say.

Regrettably, the administration prevailed on this floor in a 73-to-27 vote allowing full funding for KEDO. So I lost that one, I say to my friend from Texas.

Mr. President, I think it is now safe to say that on both the nonproliferation and burden-sharing front, KEDO is a bust.

All last week, the administration was too busy with bilateral talks in New York to brief the committee on the status of negotiations over allegations disclosed in the press that the North is building a secret facility to house a nuclear reactor replacing the one sealed under the Agreed Framework.

With those talks still underway, as the Senator from Texas pointed out, Monday—this week—for the first time in more than 5 years, North Korea carried out a flight test of a ballistic missile which the South Korean Government estimates has a range of over 1,200 miles. The first stage of the missile landed in waters between Russia and Japan, with the second stage flying over Japanese territory and falling into the Pacific. Understandably, the Japanese have withdrawn their pledge of billions of dollars for the construction of an alternative reactor—a perfectly logical response to what happened Monday.

Mr. President, if U.S. funding for KEDO is the pillar of our nonproliferation policy and the key to burden sharing, I think it is time we start building a new foundation for our policy. Secret nuclear facilities, flight testing, ballistic missiles, and who knows what other activities are not a nonproliferation policy, they are simply a non-policy.

Today, I say to the Senator from Texas, I think her amendment is excellent and is exactly the direction in which we should go. The administration will complain that these new conditions are not consistent with the Agreed Framework, that the North did not agree to suspend its nuclear weapons program in return for $30 million, they only agreed to freeze part of it.

Mr. President, it makes no sense for the United States to continue to pay for an agreement which fails to protect our allies and our interests in the Pacific. Monday's tests, along with the past pattern of deception and diversion, should convince all of us we should not spend millions more from our limited foreign aid coffers to prop up a government determined to acquire and to sell nuclear weapons.

As I mentioned previously, this is hardly the first time we have debated the administration's flawed policy on the peninsula. We have had years of compromise, capitulation, and concessions from the administration. The North blusters and blackmails; there is tough talk followed by no action or, worse still, concessions for more fuel and food.

Thirty-six thousand American troops standing guard in the South deserve more than that. Once and for all, it should be absolutely clear to the North, we will not pay their way to test, deploy, or sell nuclear weapons. We will not pay for the appearance or possibility of compliance with the Agreed Framework.

Again, I commend the Senator from Texas. I think her amendment is right on the mark and I congratulate her for it.

Mrs. HUTCHISON addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. I want to thank the Senator from Kentucky, who is a cosponsor of this second-degree amendment, for helping us with it because obviously, when the committee was putting together its bill, we did not know of North Korea's provocative actions of last week.

I think it is imperative that the Senate act very decisively to say that we are not going to continue to appease a country that is clearly selling technology to rogue nations that would harm our own allies and, furthermore, is breaking an agreement they made with us in return for which we would have assisted the people of North Korea in developing peaceful energy sources.

I hope, with all my heart, that North Korea will back up, that it will keep its commitment to stop building a nuclear weapon. I hope that it will step back and stop selling ballistic missile technology to rogue nations. Then it would be eligible for the money that has been fenced in this bill.

But until they do, it would be highly irresponsible for the U.S. Senate to go forward with a no-strings-attached gift of 35 million taxpayer dollars that are against the interests of the United States and all of our allies.

Thank you, Mr. President. And I thank the Senator from Kentucky for his leadership on this issue.

Mr. McCONNELL. Mr. President, I thank again the Senator from Texas and ask unanimous consent that her amendment be temporarily laid aside.

I see the Senator from Arizona is here. We have a time agreement on his amendment. I yield the floor.

The PRESIDING OFFICER. Without objection, the pending amendment is laid aside. The Senator from Arizona is recognized.

Mr. KYL. Thank you.

AMENDMENT NO. 3522

Mr. KYL. Mr. President, I call up amendment No. 3522. I inquire of the Chair as to what the time agreement is.

The PRESIDING OFFICER. The Senator has that right. The time limit is 40 minutes equally divided.

Mr. KYL. Thank you, Mr. President.

Mr. President, the Senate passed the supplemental appropriations bill last March. Included in that bill was a provision to provide $18 billion in additional budget authority for the International Monetary Fund. That funding, as we all know, was eventually stripped out of the supplemental conference report because Members could not come to an agreement on the funding or on reforms for the IMF.

Today, of course, we are back debating the foreign operations bill. Obviously, we are trying to develop some kind of consensus in going forward for the funding of the IMF. Unfortunately, in my view, this bill that we are debating right now does not go far enough to move the IMF toward reform, including in the areas of transparency and bankruptcy reform. It includes conditions much less restrictive than those voted out of the Appropriations Committee earlier this year.

I support the restrictions that were developed by the Appropriations Committee. As a result, I am offering this amendment today which, while not going as far as I would like, would move the IMF closer to reform than the current provisions of the fiscal year 1999 foreign operations bill will do.

As I said, when the Senate debated IMF reform in March, the full Senate Appropriations Committee approved, by a vote of 26–2, a series of reforms affecting IMF funding. They were not as strong as some of us would have liked. But instead of strengthening the provisions on the Senate floor, an amendment was offered to weaken them, and that amendment passed 84–16.

Those of us who voted against the weakening amendment in March are here today again to request that the Senate vote for this amendment and require the IMF and its recipients to use the $18 billion in U.S. taxpayer-contributed funds in more open and responsible ways.

The Kyl amendment changes only one of the reform sections included in the foreign operations bill. It does not prevent the United States from releasing funding to the IMF. The current IMF language requires the G–7 nations to publicly agree to seek policies that provide for new conditions. But seeking policies is not the same as requiring policies.

So my provision simply returns to the Senate Appropriations Committee-passed language and states that:

None of the funds appropriated in this Act under the heading ''United States Quota, International Monetary Fund'' may be obligated, transferred or made available to the International Monetary Fund until 30 days after the Secretary of the Treasury certifies that the Board of Executive Directors of the Fund have agreed by resolution that standby agreements or other arrangements regarding the use of Fund resources shall include provisions requiring the borrower [to agree to a set of conditions].

Passing an amendment that requires a commitment from the board of directors of the Fund to pass such a resolution makes more sense than just asking for a public commitment to such reforms. The IMF, by its nature, is often the antithesis of free market reform. IMF intervention often rewards negligent bankers or corrupt or incompetent governments and often does not reward individual countries that work through the private sector to get through tough times.

So my amendment, which does not cut off funding for the IMF, would nevertheless return to a stricter version of reforms than is currently included in this bill. There is a case that some have made that IMF funding should be eliminated altogether. I will not try to make that case today, although people like Lawrence Lindsay and Allan Metzer of AEI, for example, have made a strong argument that much of the money we have contributed to the IMF has been wasted. It is true that no money has been lost yet, although Lindsay suggests that the IMF is like the FDIC in the late 1970s or early 1980s. At that time, the taxpayers had not lost any money in the FDIC either.

If the world is ready to topple into an economic abyss, there probably is not much the IMF could do about it in any event. Its $23 billion in lending in 1997 was about a tenth of the private capital flow into developing countries alone. And in any event, there is evidence that suggests that the IMF has actually been a barrier to economic growth in poorer countries.

According to Johns Hopkins University economist Steve Hanke, few nations actually graduate from IMF emergency loans. Many stay on the dole for years on end. One study found of 137 mostly developing countries from 1965 to 1995, less than a third graduated from IMF loan programs. The Heritage Foundation found that of IMF borrowers from 1965 to 1995, no more than half were better off than when they started the loan programs. Almost all were actually poorer. Almost all were deeper in debt.

So what we are trying to do with this amendment is to restore some of the conditions that will ensure that the money American taxpayers have worked hard to earn will actually serve a useful and productive purpose if contributed to the IMF.

Clearly, the policies promoted by the IMF are important. Whether debt incurred by other nations as a result of IMF intervention is good or bad depends on the uses to which that debt is put. If it increases productive capital, income increases and the debt can be serviced from the increased wealth that is generated. If, however, borrowing is used to hold the exchange rate steady so private lenders can flee, there are no productive assets from which later interest payments can be made.

Unfortunately, it is the latter type of policies that are typically promoted by the IMF. The IMF promotes trade barriers in order to cut current account deficits. The IMF promotes tax increases to reduce budget deficits, and currency devaluations to adjust exchange rates. The IMF long ago admitted it was not committed to free markets, explaining that ''programs have accommodated such nonmarket devices as production controls, administered prices, and subsidies.'' These are the kind of policies that often bring economies to a halt.

The better policy is to promote fair and reliable bankruptcy laws, transparent and internationally accepted accounting procedures, minimal government interference in the allocation of credit, prudent oversight of banking systems, and competition among foreign and domestic banking organizations. All of these are the kind of reforms that we all agree should be pursued.

But that is as far as the foreign operations bill before us goes. Basically, it just says this is what we ought to be doing. It does not require the implementation of these reforms in the countries that are going to receive the IMF loans. As a result, it does nothing to assure that that money will not be wasted. By contrast, my amendment would ensure that reforms are accomplished before taxpayer dollars are allocated.

Why is it important to ensure that reform is accomplished first? In some cases, IMF programs have effectively subsidized very inefficient and even corrupt political systems. Former Secretary of State George Shultz suggested in testimony before the Joint Economic Committee earlier this year that creditors must be held accountable for their mistakes. Taxpayers should not assume the risk of bad decisions or those bad decisions will continue to be made.

That is the sad record, unfortunately, of many of the countries that have received these IMF loans in the past.

Bailouts effectively shield investors and politicians from the consequences of their poor economic decisions by ''socializing'' the risks and reducing the cost to failure associated with investment. Risks are socialized because everyone ends up paying for an individual investors' errors; the costs of failure are reduced because either directly or indirectly the IMF can compensate investors when their investments fail. IMF bailouts, as they are currently constructed, encourage investors to engage in activity they would likely avoid if there were no IMF to shield them from actions. Investors, not people or countries, are being bailed out. We should understand that when we talk about bailing out a country, that is really inaccurate. We are talking about bailing out investors. In the so-called Mexican bailout in 1995, the Mexican people suffered a sharp decline in the standard of living there, and there were large increases in unemployment and an overnight erosion of the savings. Investors, however, escaped with minimal losses.

Lawrence Lindsay contends IMF bailouts probably make systematic contagion more likely in the long run and suggests that the best protection we have against bankers overextending themselves to imprudent borrowers is the bankers' fear of losing money.

The amendment I am presenting today is an effort to ensure that these poor lending practices are not continuing. Virtually all of us have agreed that the IMF needs reform. In fact, we put that reform in the amendment that was adopted earlier this year to the supplemental appropriations bill. But that amendment rejected the Senate appropriations decision, which was made on a 26–2 vote, to have really meaningful reforms required—not simply pursued. That is the difference—do you try to pursue it or do you guarantee it before you give this taxpayer money.

Let me close with the final thought about what is not at issue because of our very real concern about the state of the Russian economy now. All of the experts agree that assistance to Russia will only work if Russia makes fundamental reforms, the kind of things that would be required under my amendment.

For example, the President in Moscow yesterday urged the Russians—quoting from a Washington Times story of today—to follow free market principles.

Here is what the President said:

Investors move in the direction of openness, fairness and freedom . . . you have to play by the rules.

That is precisely what would be required by my amendment.

The President said he would not give ''any fresh money unless it moves decisively toward reform.''

The article points out that IMF detractors are not proposing to withdraw money that has already been committed. I want to make that point crystal clear. We are not talking about not loaning money to the Russians, money that has already been committed. We are saying the same thing the President of the United States is telling them: You have to make a commitment to the fundamental reforms, otherwise the money is wasted and we both lose.

Mr. President, the same thing could be said of other countries in the world. These countries are not going to be denied loans if they establish the kind of rules of law required for a functioning economy. If they don't, all the money in the world will not help them anyway. That is true for Russia, as well as it is for the other countries that might be receiving IMF loans.

In conclusion, my amendment simply restores the original committee language setting forth reasonable conditions for IMF loans. If we are unwilling to do this, then some will suggest that we are simply committing $18 billion in taxpayer funds to feel good about having done something to help countries having economic difficulties. Let's ensure that in approving our contributions to the IMF, that that money will be effectively spent.

I reserve the balance of my time.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. HAGEL. Mr. President, who controls time on the Kyl amendment?

The PRESIDING OFFICER. Senator KYL is in charge of 20 minutes. Do you rise in opposition or in support?

Mr. MCCONNELL. Maybe it was not clear in the unanimous consent agreement, but it was my understanding that Senator HAGEL would control the time in opposition to the amendment.

If not, I ask unanimous consent that Senator HAGEL control the time.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Nebraska is recognized in opposition.

Mr. HAGEL. Mr. President, I yield myself such time that I will need to complete my statement.

Mr. President, I rise in opposition to the amendment of my friend, Senator KYL. Six months ago this body spoke very clearly and strongly on IMF. We voted 84–16 to approve a strong IMF package that has two parts: Strong and achievable IMF reforms and the full $17.9 billion funding for America's IMF contribution.

The IMF reform and funding language in the foreign operations bill today is identical to the reform package of the Senate-passed bill 6 months ago. We should not now start second-guessing ourselves and undoing what we have done. We should stand by the solid reforms and the funding package that won 84 votes in March.

The Kyl amendment would replace that carefully crafted language with a different and untested mechanism for reform, a mechanism that we considered but abandoned on the Senate floor early in our negotiation 6 months ago. I might add, Mr. President, this was after very long and detailed consultations with the Federal Reserve Chairman, Alan Greenspan, the Treasury Secretary, Bob Rubin, and many others.

Along with Senator MCCONNELL, Appropriations Chairman STEVENS, Senator GRAMM, Senator BIDEN and others, I helped craft the reforms that passed the Senate. We negotiated the reforms carefully, with the involvement of many Senators. It took weeks, many weeks. We worked word by word, line by line to present something to this body that was achievable, workable. The package we passed in March and includes meaningful IMF reforms that are also achievable.

We recognize that America alone cannot shape the world economy. So we required in our reform language the G–7 countries to come together to help reform the IMF. These reforms consist of the following: Reforms so IMF will require recipient countries to live up to their international trade obligations; reform so IMF will require recipient countries to eliminate crony capitalism and clean up corruption; reforms that will improve transparency of IMF operations, and to encourage bankruptcy law reforms in recipient countries.

Mr. President, these are not funny reforms. These are not patsy, weak reforms. The new IMF funding will go forward, but not until the Treasury Department succeeds in getting these reforms accomplished at the IMF. This is written into the reform legislation. These reforms are real and they will make a real difference at the IMF.

It would be absolutely irresponsible for Congress to shrug off the IMF as economies around the globe falter. We should not go backwards. America must continue to lead. The Senate must continue to lead. Global events, such as we have talked about today, yesterday, and will continue to talk about, have demonstrated even more forcefully the need for the U.S. to support the IMF.

Mr. President, the IMF is not perfect. It is not without flaws. It needs reform; indeed it needs reform. But, my goodness, at a time when we have economic chaos around the globe, we need many confidence builders, and the IMF institution in itself will not change this, but it will help. If we didn't have an IMF, what would we have? Would the United States want to step up to this alone? Would France or Germany? The second largest economy in the world—Japan—is in economic chaos, with no banking structure. We need some type of a mechanism to help address these issues. Asia was burning when the Senate acted 6 months ago. Now that fire has engulfed Russia and is spreading to Latin America. Our own economy is feeling this heat.

Mr. President, markets respond to confidence. Markets respond to confidence. Our debates today about IMF and other economic issues are not just about numbers, or about the arcane comparisons of one reform versus another reform. No, these debates are real and they are about sending a signal around the world. Is America engaged? Will we continue to lead? Or will America pull back? America's interests require us to help shore up confidence around the world.

This debate is about America's interests. This is not esoteric. This is about America's interests, America's economic stability and global stability. The U.S. suffered a record trade deficit in May, the fourth consecutive month. Exports hit their lowest point in 15 months. Over the first 5 months of this year, America's trade deficit increased nearly 40 percent from the same period last year. Why is that? Many parts of America's economy are already feeling the pain of the spreading Asian ''flu.'' Wall Street is on a roller coaster ride. The farm economy is suffering, largely due to the loss of overseas markets. Corn and soybean exports are down more than 50 percent from 2 years ago. Wheat exports are down more than 30 percent.

These economic problems will not be limited to American farmers and ranchers, and not even to America's investors. They will ripple through the economies of the Midwest and the rest of this Nation. Events around the world will continue to affect our economy here at home and global stability. When you have global instability, Mr. President, it goes far beyond economic instability. Global instability affects everything—our national defense, our interests and our economy. The situation in Japan is very dangerous. Many economies in Asia are clinging to Japan for support. Japan was a direct contributor to the financial package to Russia. I don't think I need to spell out to colleagues the disastrous effect of a significant downturn in the Japanese economy. Let me point out a headline from today's Washington Times: ''Tokyo's Troubles Overshadow Russia's: With Bad Economic Decisions, Japan Could Start a Worldwide Recession.''

This is not the time to lose our perspective and diddle and dawdle—reform versus technicality and reform versus technicality. This is the time for America to do the right thing, to step up and lead the world, help the IMF and insert the reforms that we passed by 84 votes last March.

I want to close, Mr. President, by quoting the last paragraph of a letter from the U.S. Treasury Secretary, Bob Rubin, which he sent to the congressional leadership yesterday. He talks about the IMF. He talks about how broadly the IMF plays a role across the global economic scene:

> More broadly, a fully equipped IMF is in the economic interest of our important trading partners throughout the world. While we agree that the IMF needs reform, and are committed to continuing our strong efforts to achieve meaningful change, it remains an effective and indispensable tool in the management of the international economy. I respectfully urge you and your colleagues to act with the utmost dispatch to pass this legislation.

Mr. President, the Senate should stand by the leadership that we provided on this issue in March. I respectfully suggest that my colleagues look at this Kyl amendment and defeat this Kyl amendment. Mr. President, I end by saying that when the time on the debate on this issue expires, I intend to make a motion to table the Kyl amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. HAGEL. Mr. President, I yield 3 minutes to the distinguished chairman of the Senate Appropriations Committee, the Senator from Alaska.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. STEVENS. I thank the Chair. I came, as a matter of fact, to read the letter he has just read. So I will just be very brief.

I ask unanimous consent that that letter be printed in the RECORD following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. STEVENS. Mr. President, very clearly, this is a matter of the image of the United States in the total global economics of today. If we retreat from the vote that we achieved last spring, I think we will send a terrible message to the world at a time when we should be viewed as a leader in trying to restore the economies of the world.

So I hope this Senate will vote once again to support, providing the additional funding for the IMF that it needs, and that we will insist that we achieve the agreement of the House on this provision that is in the bill.

This is not the time for us to change our minds. This is a time to show the strong will of the Senate, that the United States remains clear in its objectives to assure that there are mechanisms to deal with international crises such as so many of our global trading partners face today.

I thank the Senator from Nebraska for his leadership. As a matter of fact, I thank all of those who come from the Agriculture Committee; they have been very forthright and direct in supporting the proper position on the IMF. I thank the Chair and the Senator from Nebraska.

EXHIBIT 1

DEPARTMENT OF THE TREASURY,
Washington, DC, September 1, 1998.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate, Washington, DC.

DEAR MR. LEADER: As the 105th Congress returns to complete its business in the few weeks remaining before adjournment, I am writing to urge once again that Congress immediately consider and pass the Administration's request for $18 billion in critical funding for the International Monetary Fund (IMF).

Since late last year, we have been urging action on this priority legislation. Events over the last eight months—not to mention the last few days and weeks—underscore the impact on the U.S. economy of developments abroad, including in Asia and Russia. We simply cannot afford any further delay in providing the IMF with the resources it requires to help contain the threat of further financial and political instability around the world.

Let me be clear, the fundamentals of the American economy remain sound, with continuing good prospects for strong growth with low inflation, but recent developments testify clearly to the impact of global uncertainty on U.S. financial markets and, ultimately, on our economy. While there has been progress in stabilizing economies in countries such as Korea and Thailand, which are implementing strong IMF programs, we have already seen a decline in US exports to key markets in Asia by over 20 percent through June of this year, amounting to over $22 billion worth of exports to key markets in Asia by over 20 percent through June of this year, amounting to over $22 billion worth of exports on an annualized basis.

Against this backdrop, it is critical that the United States takes the steps necessary to protect the interests of American workers, businesses, and farmers. More broadly, a fully equipped IMF is in the economic interest of our important trade partners throughout Latin America. While we agree that the IMF needs reform, and are committed to continuing our strong efforts to achieve meaningful change, it remains an effective and indispensable tool in the management of the international economy. I respectfully urge you and your colleagues to act with the utmost dispatch to pass this legislation.

Sincerely,

ROBERT E. RUBIN.

The PRESIDING OFFICER. Who yields time?

Mr. KYL. Mr. President, I inquire how much time I have?

The PRESIDING OFFICER. The Senator from Arizona has 9 minutes. The Senator from Nebraska has 9 minutes 3 seconds.

Mr. KYL. Thank you. I doubt that we have to take the full amount of time in completing this debate. I want to make one critical point. The Senator from Alaska, the chairman of the Appropriations Committee, has just made the point that the United States cannot retreat from our international obligations or we will be sending a terrible message. I want to make it very clear that the Kyl amendment doesn't retreat at all. In fact, it moves forward.

The Kyl amendment simply institutes the language that the chairman of the Appropriations Committee supported when the committee voted 21–1 to ensure that the money lent by the United States would be effectively spent by requiring some conditions that will work.

Now, what the bill before us does is erase those conditions and put in some good-sounding language that isn't going to do the trick. As a matter of fact, both the lead editorial in the Wall Street Journal today, and a lead op-ed piece by David Malpass, the chief international economist at Bear Stearns, make the point that this money will not be spent effectively if we continue to follow current practices. As a matter of fact, from the latter op-ed piece, ''To avoid accountability, the U.S. maintains the facade that the IMF is dealing with the crisis and that Japan is to blame for much of it.''

Are we really going to do something about this crisis? I totally agree with my friend from Nebraska, Senator HAGEL, on the nature of the problem, and I believe that we essentially agree on the solution.

The only difference is how serious we are about implementing the solution. Here is the crux of the debate. Under the bill before us, there are two key phrases about how we are going to implement the funding, how we are going to spend the money and implement the reforms that we all agree to.

One, we are going to seek to implement these reforms—the language is on line 2 of page 120: ''and will seek to implement.'' And then down on line 19, ''The United States shall exert its influence with the Fund and its members to encourage'' these reforms. We are going to ''seek'' and we are going to try to ''encourage.''

That is not going to work. It is the same old thing.

What the Appropriations Committee voted 26 to 2 to do was to actually include the reforms. The language in my amendment says ''shall include.''

Those are the two operative phrases. That is the difference we are debating about the reforms we all agree to. The question is, Are we going to encourage these other countries that we lend the money to, to effect the reforms, or are we going to require that they shall be included in the agreement that we enter into with these countries?

All of us agree about the nature of the problem. We are all just as committed to an international economy. We all agree on the solution—the bankruptcy reforms, the transparency. There is no disagreement about that. The only disagreement is, are we going to require it—the Kyl amendment that the Appropriations Committee voted 26 to 2 to do—or are we going to seek to encourage people to do these things?

I submit that if all we are going to do is seek to encourage, we are going to end up in the same place as we have been, with countries spiraling downward and downward and downward.

The President of the United States had it right when he said in Russia yesterday, to get your fair share of investment, you have to play by the rules. If that is his opinion—and I know it is, and I agree with it—''have to play by the rules'' is a requirement. It is not something we are just asking them to do; it is something we are going to require them to do. It is our money we are lending to them for the good of us all. U.S. taxpayers have some right to insist that it is going to be spent wisely. We all agree that it hasn't worked in the past. The President is saying to the Russians: What you have been doing has not worked. You have to play by the rules.

The Kyl amendment says that the agreements shall require that the reforms be included. The current bill says we will seek to implement and will exert our influence to encourage.

On the one hand, you have a requirement; on the other hand, you have the same loose language that will allow these countries to continue to slide into economic despair because they don't have the courage or the ability to adopt the reforms, and they are not being required to do so by the Fund that is lending them the money.

That is why I urge the adoption of the original committee language which will be much stronger and will guarantee that this money will be spent wisely.

I reserve the remainder of my time.

Mr. BIDEN addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. I ask my friend if he would be willing—does he have any time to yield?

Mr. HAGEL. We have 9 minutes. I would be very happy to yield time. How much time?

Mr. BIDEN. I didn't want to take all that time. Will the Senator yield me 4 minutes?

Mr. HAGEL. All right. Thank you. I yield the distinguished Senator from Delaware 4 minutes.

Mr. BIDEN. Mr. President, the Senate has already spoken on the important question of U.S. support for a stronger International Monetary Fund.

Following the essential leadership of Senator STEVENS, along with my colleague on the foreign relations committee, Senator HAGEL, we went on record in March, by vote of 84 to 16, to provide full funding for U.S. participation in the IMF.

At that time, we also declined to place unworkable conditions on that funding.

As international lender of last resort, the IMF is right now part of our last line of defense against an economic chain reaction that could turn the financial turmoil on the front pages of today's newspapers into a real global crisis.

Mr. President, as I have said before, the IMF is certainly not a perfect institution. But I have not stopped going to my doctor because I think the health care system needs reform.

The Kyl amendment guarantees indefinite delay in the availability of the U.S. contribution to the basic reserves of the IMF, and in turn throws into doubt the participation of other nations who look to us for leadership.

This amendment would require that the IMF change its basic rules for providing emergency financial support—essentially a change in its bylaws—before the U.S. contribution can go forward.

Those rule changes themselves may well make sense—in fact, the IMF already makes such conditions part of the requirements for its loans.

But the requirement that the IMF must first formally adopt reforms in the conditions on countries that receive its funds—conditions, I might add, that we here in the United States could not meet in every case outselves—is a formula for deadlock and indefinite delay.

This is the opposite what is required of us at this crucial period.

As the leading economy in the world, we have a special obligation to support this international instutution—that we created, I might add—charged with maintaining stability in international financial markets.

The amendment now before us is a formula for delay, at the very time when we must act to restore confidence so lacking those markets.

I urge my colleagues to vote against the Kyl amendment.

Mr. President, one of the most able Senators in terms of his willingness to reason on this floor is the Senator from Arizona, Senator KYL.

I listened to what he just said about his amendment. He says: Look, all we are doing is going to require the IMF to do what the President says they should have to do anyway before we lend money. By implication, don't throw good money after bad, and so on and so forth.

What we are doing here is, if we adopt the Kyl amendment, it guarantees, in my view, an indefinite delay in the ability of the U.S. contribution to the basic reserve of the IMF and throws in doubt the participation of other nations who look to us for leadership. Right now it is a really simple deal. If we come up with our $18 billion commitment in total, roughly, what happens is, we control the outcome. No loan can be made. It needs an 85 percent vote. I think we have 18 percent control.

Why go ahead and throw sand in the gears here now knowing that we are going to, by fiat, in the minds of other nations, amend the way in which the IMF runs now without consultation or agreement by the other participants who make up 82 percent of the Fund, guaranteeing that this thing comes to a screeching halt?

If in fact the Senator believes the President is right, then he has to assume the President is not going to instruct the U.S. representative at the IMF to vote for releasing dollars without the commitments being met. But what you do now if you adopt the Kyl amendment is as good as not coming up with the $18 billion, because the other nations say: Hey, look, you once again are unilaterally changing the basic rule for providing emergency support, essentially a change in the bylaws of the IMF. Where I come from, that is not how you usually get cooperation. You don't unilaterally tell the French and the Brits and everyone else this is the way it is going to be. You already have that power. You have the power. Without the U.S. vote, nothing goes. Bingo. Nothing goes.

It seems to me the way to do this is, let's deal, as my friend from Nebraska has been often the lone voice in pointing out with this international financial crisis, and still have a little bit of confidence. This isn't going to fix the thing. This is just going to do in a shot—like a shot of adrenaline, a shot of confidence, we are stepping up to the plate. We are not backing away from an international obligation, as we see it, for our own safety's sake.

Then, if we want to sit down with our partners in the IMF and say, "Look, it is time to change the bylaws," that is a different deal. But let's not do unilaterally what is going to, in my view, in my opinion, get a response from the other 82 percent of the voting block out there saying, "Hey, U.S., you don't call it. You don't unilaterally change the rules." You can in effect unilaterally change the rules by voting no. You can sit in those meetings and say, "Look, we ain't voting for this deal unless the following conditions are met."

I respectfully suggest—and I realize my time is probably up—that we should oppose the Kyl amendment.

I yield the floor.

Mr. HAGEL. Mr. President, I yield to the Senator from Minnesota 1½ minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 1½ minutes.

Mr. GRAMS. Thank you very much.

Mr. President, I rise to respectively oppose the amendment by my colleague, Senator KYL. As has been noted before, this amendment would reverse all of the progress made on the conditions package negotiated among many of us when we supported the $18 billion replenishment for the IMF on the Supplemental earlier this year. Senator KYL's amendment includes a negotiating position that was debated, and rejected by members of this body. It would, in effect, result in the U.S. share of the replenishment being delayed or withheld at a time when IMF assistance is needed to help us shore up economies in crisis, now expanding well beyond Asia. We need to stabilize and improve these markets for our farmers and exporters, whose losses have begun to resonate, most recently in our own stock market. As was noted before, our agriculture exports are down 30 percent since the beginning of the year. This is not the time to play games with IMF funding.

I believe few of us want to reopen these sensitive negotiations. I urge my colleagues to stick to the agreement we passed earlier. It was a good one that will result in progress toward improving the way the IMF operates. This is not the time for the Senate to reverse its leadership on IMF funding. We should stay the course—and urge our colleagues in the House and in the White House to do the same.

I urge my colleagues to oppose the Kyl amendment.

I yield the remaining time.

Mr. MACK. Mr. President, I rise to support the proposed amendment and urge my colleagues to vote against tabling it.

The current world economic crises and the International Monetary Fund's request for financial replenishment offer us a chance to re-examine the United States' role in the world economy. If the U.S. is going to participate in institutions that influence economic policy around the world, then we must exert our influence in strong support of sound economic policies, not just rubber-stamp whatever plans international bureaucrats cook up. It does us no good to stand idly by and let the IMF squander our resources on ill-conceived rescue plans, such as the tax-hike package recently foisted on Russia.

What should the IMF be promoting? The same policies that we support here in the United States. To name just a few, these include: a monetary policy dedicated to long-term price stability, a sensible tax system that encourages people to work, save and invest, free and open markets and sound banking systems that use consistent accounting methods, have transparent balance sheets and lend based on market forces, not political pressure.

The best way to start down this path is to set strong conditions on the IMF. This amendment moves us in this direction. In particular, it would promote free trade, market-based lending and the fair treatment of international investors. I urge my colleagues to vote against tabling it.

Mr. HAGEL. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Nebraska has 3 minutes 12 seconds.

Mr. HAGEL. Mr. President, I yield to my colleague from Kansas 2½ minutes.

The PRESIDING OFFICER. The Senator from Kansas is recognized for 2½ minutes.

Mr. ROBERTS. Mr. President, I want to refer to the statement made by my distinguished colleague and friend from Arizona about the 21–1 vote that happened in committee. I must say that it is my observation over a weekend of deliberations things were changed in that particular bill that we needed to address, and we did. And so the Senate spoke 84 to 16 to endorse the reforms, and they are not passive reforms, that were worked on by a whole group of Senators—Senator GRAMS, myself, Senator HAGEL, Senator BIDEN, Senator MCCONNELL, and Senator STEVENS.

Basically, what are we talking about here? We require consensus in regard to achieving these reforms not only with the G–7 nations but the 37 other nations involved. This isn't just a U.S. IMF program. Under the Kyl amendment, he says that we have to micromanage basically from Congress, from the U.S. standpoint something called a board of executive directors. That process is very slow. We don't have the time in regard to that, with the global contagion, maybe the global pneumonia, that is occurring right now. So the Senate has spoken 84 to 16.

I would point out that the seriousness of this is extremely critical. The Senator from Nebraska has talked about what is happening in agriculture. It is happening in every segment in regard to the economy, not only in this country but all over the world.

We have a package. We have been meeting here with other Senators across the aisle for normal trading status with China, with fast-track legislation, with sanctions reform and now IMF. If this amendment passes, it is a killer amendment. I don't mean to perjure the amendment, but it is a killer amendment. A, it will kill IMF, and, B, IMF cannot work under the circumstances of this amendment. And the testimony to that certainly comes from Chairman Greenspan and many others.

And so I urge the Senate to stick by that early vote. Again, I would mention it was, what, 86 to 14? No, 84 to 16. Well, there were two that were off base, but we will get it back.

I yield back the remainder of my time.

Mr. HAGEL. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 45 seconds.

Mr. HAGEL. I ask that the remainder of my time be allotted to the distinguished Senator from Maryland.

The PRESIDING OFFICER. The Senator from Maryland is recognized for 45 seconds.

Mr. SARBANES. I thank the Senator.

Mr. President, I just want to follow along with what the able Senator from Kansas has said. Adoption of this amendment would prevent the United States from consenting to a quota increase until all of these conditions had been met. These conditions cannot be met immediately. That is a guaranteed thing. It means that the United States would, in effect, not be carrying through a quota increase.

We are facing a very serious financial crisis worldwide. One of the instruments we have to deal with that is the IMF. We need to pass this quota increase, and we need to do it immediately, and we need to address this situation. If the IMF is perceived, as it now is, not to have the resources with which to deal with the international crisis, it will only worsen and intensify the crisis. If anyone wants to ask what is the one thing we can do to try to address this crisis, it is to pass this legislation without this amendment. I urge my colleagues to oppose the amendment.

The PRESIDING OFFICER. The time has expired for the Senator from Nebraska, and the Senator from Arizona has 3 minutes 48 seconds.

Mr. KYL. I thank the Chair. I won't use all of that time. In my remaining time, I, first of all, ask unanimous consent to have printed in the RECORD the two articles from the Wall Street Journal to which I alluded earlier.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Sept. 2, 1998]

U.S. NEEDS TO PROMOTE CURRENCY STABILITY

(By David Malpass)

The ruble devaluation has plunged Russia into political and economic upheaval. Already the financial fallout has spread beyond its borders, helping to knock $1 trillion off the value of U.S. equities alone and worsening the now-global currency crisis. Expressed in U.S. dollars, world output will fall more than 2% in 1998, pressuring debtors and hurting corporate earnings world-wide. As we enter the second year of the ''Asian'' crisis, the risk is clear: Countries everywhere that borrowed dollars or produced commodities could collapse.

The U.S. has the power to stop the contagion and start the recovery, but has not used it. The International Monetary Fund has only added to the problem. Working in tandem, the U.S. and the IMF have lurched from one bad policy idea to another, with no vision, not even any apparent comprehension of the severity of the crisis.

RUSSIA BEWARE

Their initial approach to Thailand's crisis last year was to promote a limited devaluation, advise Bangkok to raise taxes, and hope for the best—a strategy that had disastrous results in Mexico in 1994. Thailand's per capita income has fallen to $1,800 this year from $3,000 in 1996, and the country is now on its fifth IMF program revision.

During South Korea's December crisis, the policy evolved into a massive bailout by the U.S., the IMF and international banks that had lent Korea too much money. The Korea approach included a devaluation, a floating exchange rate backed by impossibly high interest rates, rosy IMF economic forecasts, the false hope of export-led growth and a heavy dose of patience. Result: South Korea's economy will shrink to $280 billion this year from $485 billion in 1996, a 42% contraction. The IMF has revised its forecast for Korea's 1998 growth rate, down to minus 4% in July from plus 2.5% in January. These figures quantify the failure of its floating exchange rate austerity policies. Russia beware.

By the time the devaluation scythe pointed toward Russia this June, a third U.S. policy had emerged. In a telephone conversation on July 10, Presidents Boris Yeltsin and Bill Clinton agreed on a plan to bail Russia out, this time before the devaluation. However, no measures were included to anchor the ruble. All Russia got was another IMF austerity program—a Russian commitment to shrink the economy further by squeezing taxes out of the energy companies, the country's lifeblood. Result: capital flight, a devastating betrayal of the ruble, a standstill on debt payments, and the likelihood of a cold winter for Russians as energy companies prepare to cut off cities and provinces that can't pay their bills.

Throughout it all, the U.S. has had no policy that would deal with the heart of the global currency problem: a strong dollar and a cycle of devaluations. The current Band-Aid approach includes the following elements: Until further notice, all developing countries are to keep interest rates dramatically higher than they can afford, spreading recession across the developing world. Economies that link their currencies to the U.S. dollar—important ones such as Argentina, Brazil, China and Hong Kong—get no clear guidance on the future value of the greenback. To avoid accountability, the U.S. maintains the facade that the IMF is dealing with the crisis and that Japan is to blame for much of it. The U.S. encourages countries to enact vague and painful ''reforms,'' never mentioning or forcing the one reform that matters most—a policy of currency stability.

What, if anything, can the U.S. government do to stop the contagion? First, even if it won't cut interest rates, it can state unequivocally that Washington wants the value of the dollar to be stable and will place a high priority on this responsibility. Simply changing from the current ''strong dollar'' policy to a ''stable dollar'' policy would allow gold and commodity prices to recover moderately from their current deflation-spooked levels and end the talk of world deflation.

The U.S. should then begin to promote stable money for developing countries at the Group of Seven, the IMF, the World Bank and elsewhere. Consideration should be given to transparent price-rule monetary policies, currency boards, dollarization, currency unions and other techniques that have dependably created growth. Such an effort alone would lift financial markets in many developing countries by 30% or more in a matter of days. Public statements and actions on currencies matter a lot. Across most of the world, financial markets bottomed on June 17 at the exact minute the U.S. intervened to stop the Japanese yen's free-fall. Over the next four weeks, equity markets across the industrialized world hit record highs on the hope that the U.S. cared about currencies and wanted the yen, the Chinese renminbi and the Russian ruble to be stable.

The correction in world financial markets began in mid-July when it became clear that America didn't intend to follow through. The U.S. gave no sign that the dollar would stop strengthening, further driving down the dollar price of gold and oil. Washington also offered no supportive comments on the renminbi or the yen, contributing to speculative selling. The U.S. declined to make even a simple statement of the obvious—that a Hong Kong devaluation would destroy Hong Kong as a world financial center and was unthinkable. And by July 21, details on Russia's IMF program came out showing just another failed austerity package.

As for Russia, now that it has embarked on the road of devaluation, Moscow should think of how to lessen the blow. There are ways to do this.

First, Russia should announce a monetary program aimed explicitly at limiting the devaluation and providing future stability for the ruble. It should also use its leverage with the U.S. to fight the IMF penchant for free-floating exchange rates and private-sector austerity. Russia's formal Aug. 17 statement was an IMF recipe for disaster. It promised a policy of balanced budgets (meaningless during a recession), high interest rates to fight inflation (inflation is a currency phenomenon, not an interest-rate one) and a floating ruble defined by market prices (meaning it will sink due to neglect). The IMF statement after the devaluation made not one mention of the ruble, complimented Russia on its satisfactory economic progress and promised more funds if Russia carried out its IMF program. These are the same IMF policies that caused the depression in Asia, and prolonged the lost decade in Latin America in the 1980s.

A new, credible monetary policy would entice capital back into Russia, and the country could then begin to treat its debt crisis with economic growth rather than default, Russia and the world should agree that a free-floating exchange rate is an unworkable policy for the ruble and would lead Russia down the path Indonesia followed.

DEVALUATION DAMAGE

When exchange rates float after a devaluation, interest rates have to stay impossibly high to compensate for currency uncertainty. Russia should establish a monetary-policy mechanism in which the amount of liquidity in the economy is regulated by the central bank for the primary purpose of keeping the currency stable. Russia could anchor the value of the ruble against gold, the dollar or the euro, and could use a currency board or an automatic price-rule monetary policy. It should immediately legalize the use of foreign currency, as economist Steve Hanke argued on this page last week. At this point in the ruble's collapse, the key aim is to make a dramatic policy change at the central bank to allow the people of Russia a stable currency as they work to salvage the economy.

Time and again, the U.S. and the IMF have underestimated the importance of currency stability and the damage caused by devaluations. The devaluationists' promise of a quick recovery in Asia has been dashed, but no constructive policy has emerged. Russia now heads down the same path, dragging others with it. The American farm belt feels the consequences when the dollar appreciates and people in Asia buy less wheat. U.S. towns on the Canadian border feel it when Canadians get priced out of U.S. stores. Yet 18 months into the global currency crisis, the world's biggest economic and military power has no whiff of a policy to address it.

INTERDEPENDENCE, AFTER ALL

(By Michael Camdessus and Lawrence Summers)

So U.S. stocks could not go ever upward while the rest of the world falls apart. We have interdependence after all, and what the markets' remarkable voltality—plunging 500 one day, rising 288 the next—is telling us is that the world economy has been terribly mismanaged.

Secretary Robert Rubin dropped by the Treasury press room after the 512-point drop Monday to say that the fundamentals ''are strong due in part to the sound policies we've been following.'' The market is telling us that the market was too high, he suggests, neither he nor the Federal Reserve feels the need to do anything about it, fishing in Alaska was fun, and Congress should pony up the next installment of funding for the International Monetary Fund.

There is of course a lot to be said for refusing to panic because of a market drop. Stocks will fluctuate as we've seen in recent days and several hundred points aren't what they used to be. But the Dow Jones industrials are still off nearly 16% from their July high. Historically, a plunge in the stock market predicts recession in the real economy only about half the time. In the other half, economic policy makers get the message in time.

The last market crash in 1987 reflected disturbances in the world financial mechanism, as is so often the case, arguably as far back as 1929, when the issues were international liquidity and impending protectionism. In 1987, the market crashed when Treasury Secretary Baker went on television to argue with the Bundesbank about which side should adjust to keep the mark and dollar in reasonable alignment. The markets stayed sick through year-end, but recovered when the world central banks staged a huge joint intervention showing that international cooperation had been restored. With this timely demonstration, the real economy escaped without damage.

This time around the international influences are even more palpable. The Russian devaluation, coming as President Yeltsin was losing power and President Clinton was self-destructing, was clearly the immediate spark. In and of itself, neither the value of the ruble nor the output of Russia is important to world commerce. But the message was that we are not yet out of the round of competitive devaluation that started a year ago in Thailand. A continuing worldwide cycle of devaluation and a world-wide collapse in liquidity would be a big event indeed, from which the real economy in the U.S. could not be immune.

The most likely form of panic right now would be for the Congress to yield to Secretary Rubin's entreaties on the IMF funding. The IMF and what it represents is the problem, not the solution. If we were the Congress, there would be no funding for the IMF without a change in management. IMF head Michel Camdessus should be replaced, along with Deputy Treasury Secretary Lawrence Summers, the U.S. point man in international finance. The needed rethinking is impossible so long as they are there to defend the errors that caused the present world-wide mess.

It is, of course, always true that economies around the world have their own share of mismanagement. Indonesia has been an exemplar of crony capitalism, and Russia has its tycoonocrats instead of the rule of law. Japan ''pricked the bubble'' into its current deflationary impasse—an example U.S. policy makers should heed well. But such problems have persisted for decades; they were pushed over the brink and into crisis by specific policy errors.

The first of these was the Mexican bailout masterminded by Mr. Summers. The 1994 devaluation was a disaster for Mexico, where workers still have not reclaimed their share of world purchasing power, especially with the peso just now on another sharp decline. Yet the Wall Street lenders and Mexican billionaires did just fine with their tesobonos—short-term dollar-denominated Mexican government paper—because Mr. Summers arranged to have them bailed out, including interest at risk-screaming rates like 14%. The lesson the markets had to draw was: Wheee! Crossborder loans are a one-way bet. Throw money at the world. Russia, even.

This enormous escalation in moral hazard was compounded by sheer intellectual error at the IMF, which persisted against all evidence in believing that devaluations can rebalance economies. Devaluations cause inflation, with all of its economic and social dislocation. What's more, devaluations tend to spread as each country feels it has to ''remain competitive'' in international markets. Mr. Camdessus is on record as repeatedly having advised Thailand not to get its banks and property companies under control, but to devalue the baht. When he got his way, the current crisis dawned.

What is to be done, now that we see even the U.S. cannot escape unscathed? The first priority is to stop the cycle of devaluation somewhere. Unhappily, Hong Kong authorities have been behaving foolishly, pouring monetary reserves into the stock market. But central bank purchases of shares, like purchases of any other asset, inject Hong Kong dollars into the markets; you defend a currency by restricting domestic liquidity, not creating it. Brazil, the key to whether the cycle will spread to Latin America, seems to understand better.

The Federal Reserve could ease much of this pressure by creating more American dollars. It is certainly true that the Fed should not be using monetary policy to support the stock market at current levels, any more than it should use monetary policy to combat ''irrational exuberance.'' But the case for easing rests on nothing more or less than a commitment to price stability, since Alan Greenspan's own advance indicators of the price level—foreign exchange, gold and the yield curve—are all signaling deflation ahead. The demand for dollars is clearly on the rise, and Mr. Greenspan should accommodate it, rather than restricting the supply of dollars to keep short-term interest rates from falling as the market drives long rates down.

The saving grace of market drops is that they provide time for policy to adjust before the real economy is affected. But around the world ordinary producers and consumers are already suffering, and trouble lies ahead in the U.S. as well if the Treasury, Fed and IMF fail to use this time to get international financial management back on an even keel.

Mr. KYL. Secondly, Mr. President, I was just advised of an error, and I appreciate being advised of that, on line 1 of my amendment. Instead of ''line 1,'' it should read ''line 19''—beginning on page 119, line 19 of the bill. I ask unanimous consent to make that change in my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. I also ask for the yeas and nays on the amendment, Mr. President.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. KYL. I thank the Chair. I will just conclude with this point.

The distinguished Senator from Delaware, for whom I have great admiration, made the point that the President may instruct our delegates to seek these reforms and, indeed, he may but we do not currently have the means to insist on them. My amendment would change that.

The distinguished Senator from Kansas made the point that the reforms in the current bill are not patsy reforms, and, indeed, he is correct in that. As I said, we essentially all agree on the reforms. The only difference is whether they are going to be urged upon the nations to which the money is lent or they are going to be imposed as requirements on the lending of the money. That is what this amendment boils down to. Do we ensure that the reforms are included by requiring it, or do we simply seek to include them and merely encourage the borrowers to engage in the reforms that we all support?

I think the debate is clear. I urge my colleagues to support the amendment and yield back the remainder of my time, Mr. President.

Mr. HAGEL addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. HAGEL. I move to table the Kyl amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the Kyl amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Georgia (Mr. COVERDELL), the Senator from New Mexico (Mr. DOMENICI), and the Senator from Alaska (Mr. MURKOWSKI) are necessarily absent.

I also announce that the Senator from North Carolina (Mr. HELMS) is absent because of illness.

I further announce that, if present and voting, the Senator from North Carolina (Mr. HELMS) would vote ''no.''

Mr. FORD. I announce that the Senator from New Mexico (Mr. BINGAMAN), the Senator from Ohio (Mr. GLENN), and the Senator from Hawaii (Mr. INOUYE) are necessarily absent.

The result was announced—yeas 74, nays 19, as follows:

[Rollcall Vote No. 256 Leg.]

YEAS—74

Akaka	Feinstein	Lugar
Baucus	Ford	McCain
Bennett	Frist	Mikulski
Biden	Gorton	Moseley-Braun
Bond	Graham	Moynihan
Boxer	Gramm	Murray
Breaux	Grams	Reed
Brownback	Gregg	Reid
Bryan	Hagel	Robb
Bumpers	Harkin	Roberts
Burns	Hatch	Rockefeller
Chafee	Hollings	Roth
Cleland	Jeffords	Sarbanes
Coats	Johnson	Shelby
Cochran	Kempthorne	Smith (OR)
Collins	Kennedy	Snowe
Conrad	Kerrey	Specter
Craig	Kerry	Stevens
D'Amato	Kohl	Thomas
Daschle	Landrieu	Thurmond
DeWine	Lautenberg	Torricelli
Dodd	Leahy	Warner
Dorgan	Levin	Wellstone
Durbin	Lieberman	Wyden
Feingold	Lott	

NAYS—19

Abraham	Grassley	Nickles
Allard	Hutchinson	Santorum
Ashcroft	Hutchison	Sessions
Byrd	Inhofe	Smith (NH)
Campbell	Kyl	Thompson
Enzi	Mack	
Faircloth	McConnell	

NOT VOTING—7

Bingaman	Glenn	Murkowski
Coverdell	Helms	
Domenici	Inouye	

The motion to lay on the table the amendment (No. 3522) was agreed to.

Mr. WARNER addressed the Chair.

The PRESIDING OFFICER (Mr. SMITH of Oregon). The Senator from Virginia.

BALTIC STATES AND NATO EXPANSION

Mr. WARNER. Mr. President, I am joined here by my distinguished colleague from New York. We would like to bring to the attention of the Senate certain language in the report accompanying the bill. And I refer to page 40. It is entitled ''Baltic States and NATO Expansion.''

The Committee has provided $15,300,000 in FMF grant assistance to accelerate the Baltic States integration into NATO.

This action comes following similar action in last year's statement of managers. I ask unanimous consent to have printed in the RECORD excerpts from the text of last year's language.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BALTIC STATES AND NATO EXPANSION

The Committee has provided $15,300,000 in FMF grant assistance to accelerate the Baltic States integration into NATO. The Committee regrets that budget constraints prevent matching last year's levels but remains supportive of this initiative. This assistance supports these democracies as they enhance their military capacities and adopt NATO standards. The Committee believes that FMF should be allocated among the three nations on a proportional basis.

The Committee has not continued the prior limitations on the international military education and training program for Indonesia. However, the Committee expects the Defense Security Assistance Agency to consult with the Committee regarding any plans to provide IMET to Indonesia, given past human rights concerns and the continued influence of the Armed Forces in Indonesian political and economic affairs. Any participants should be carefully vetted and courses should emphasize civilian control of the armed services.

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THE BALTIC NATIONS

The conference agreement provides that $18,300,000 should be made available to Estonia, Latvia and Lithuania. These funds are provided to enhance programs aimed at improving the military capabilities of these nations and to strengthen their interoperability and standardization with NATO, including the development of a regional airspace control system. Given progress in economic reform and meeting military guidelines for prospective NATO members, the conferees believe the Baltic nations will make an important contribution to enhancing stability and peace in Europe and are strong candidates for NATO membership.

The conference agreement retains House language which provides that the obligation of funds for any non-NATO country participating in the Partnership for Peace shall be subject to notification.

Mr. WARNER. Here the language says:

These funds [$18,300,000] are provided to enhance programs aimed at improving the military capabilities of these nations and to strengthen their interoperability and standardization with NATO. . . .

Mr. President, Partnership for Peace, is, I presume, the primary means by which these countries could work within the NATO framework. But I must say that I regret that this language is so specific as to use the word ''grant assistance to accelerate the Baltic States integration into NATO.''

The Senate considered NATO expansion very thoroughly earlier this year, at which time I, together with my distinguished colleague from New York, expressed our strongest reservations, particularly as it related to a timetable of any nature, for further admission of nations into NATO.

This does not spell out a timetable, but it certainly gives them, in this language, together with the funds, a recognition which in my judgment is inappropriate, certainly at this time when the situation in Russia is so tenuous, as explained in the previous debate on NATO expansion, and in the context of the Baltic States. I will leave it to my colleague further details on that. But it is the judgment of the military planners in NATO that providing NATO assistance to these countries, should it be necessary, could well involve the use of nuclear weapons. I say that because inclusion of these nations in NATO at some future date is a matter that will have to be considered with great care and thoroughness by all NATO nations.

I just think at this time to incorporate the language in an act of the Congress of the United States, presumably to be signed by the President, would send an improper signal into the community of nations who are desiring to join NATO at some future date.

So I basically stated my views on it. I yield the floor, Mr. President.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER (Mr. HAGEL). The Senator from New York.

Mr. MOYNIHAN. I join my revered friend the senior Senator from Virginia in this matter and would begin by reminding the Senate that in the debate on expanding NATO to include Poland, Hungary and the Czech Republic, he forcefully made the point that the administration was already talking about a further expansion to the Baltic States. That would be a thumb in the eye of the Russians. The language from the Committee report which Senator WARNER has just read implies that the Senate has come to agreement on the matter when it clearly has not.

Estonia and Latvia have large Russian minority populations and all three have tenuous relationships with Russia. Yet it seems to be working, considering these three independent nations were held ''captive''—subsumed by the Soviet Union—for three-quarters of a century. Latvia recently dismantled a Soviet radar station, and there are some accommodations being made for minorities in these nations.

Expanding NATO to include the Baltics would be provocative in the extreme, as the Russians have made so clear. The Russians who would like to continue to make reforms in their troubled country have said: ''Don't do this.'' Those leaders who seek the greatest liberalization of Russian society have said ''Heavens, don't give this weapon to the enemies of democracy and market enterprise. Don't put us in a situation where nuclear war in Central Europe is not to be dismissed as an outlandish improbability.''

I remarked yesterday, in a statement supporting the International Monetary Fund replenishment that the situation of the Soviet military is alarming to the point of despair. In Krasnoyarsk, General Alexander Lebed, who is now governor there, has, by reports published in Moscow, undertaken to pay the Soviet strategic forces located in his Krai. The people with their hands on the triggers of the nuclear missiles are not being paid. I suggest the first rule of government is: Pay the Army. In a situation that is unstable, to take this posture regarding Nato expansion is to invite misunderstanding and worse.

Mr. President, there is nothing we can do to change the report language, but I would like to make the point that it has not been decided that any of the Baltic states should join Nato. I do not think that the term ''accelerate the Baltic States integration into NATO''—accelerate: faster than planned—such a term is not appropriate.

If it were possible in conference for the distinguished chairman and the ranking member to see that this does not become part of the conference report itself or the accompanying statement of managers, I think that would serve stability in Central Europe and the security of the United States.

I will make no accusations. The Senator from Virginia and I simply say: Do not casually get into a situation that will be thoroughly misread and deeply resented by the people we most want to have as our friends in Moscow. And particularly not on a day when the President himself is there.

With that, Mr. President, I yield the floor. I see no other Senator seeking recognition, so I respectfully suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ROBERTS). The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Iowa is recognized.

THE CRISIS IN AGRICULTURE

Mr. HARKIN. Mr. President, I know a lot of us were out in our States during the August recess. I was too. I had a series of meetings around the State with farm families and people in small towns and communities and rural areas. Quite frankly, what I found was more than just disturbing. What I found was that there is a looming crisis in agriculture and in our farm economy.

For some time I and a number of my colleagues have been trying to call attention in this body to the very serious situation in the farm economy. The livelihood and the life savings of hundreds of thousands of farm families are in jeopardy. The economic underpinnings of many rural communities are also at stake. In mid-July, the entire Senate went on record noting the existence of the serious farm economic problems and calling for immediate action. But later on, just before we broke for the August recess, this Senate rejected an amendment that Senator DASCHLE and I offered to restore farming protection that was taken out in the 1996 farm bill.

All we wanted to do in a very modest attempt was to take off the caps that were put on the loan rates in the 1996 farm bill. We did not in any way want to attempt at that point to change the farm bill. We just simply wanted to remove the caps. The loan rates were still there. They were just capped at the 1996 level. All we wanted to do was remove those.

As I listened to the debate on that amendment, it seemed clear to me that many of my colleagues doubted the seriousness of the problems in the farm economy. I heard statements that if we just let the market work, if exports would just get back on track, the situation would turn around, or so the argument went.

So, I went out to my State to have some meetings in August to sort of take the temperature and gauge just how serious the situation was. In the intervening time since we left here, the situation has become, I am sad to say, far worse. The bottom literally has dropped out of commodity prices. I point out that the falling commodity prices cover both livestock and crops. Often, at least in my State, if the commodity price of a crop was low, the livestock prices might be up a little bit, and the farmer would at least have something to sell to make some money. Now all of the major commodities—corn, soybeans, pork, and beef—are all deeply in the red.

So at this point I don't see how there can be any doubt that we have an economic disaster in the farm sector.

I have some charts that will show just what happened over the last 6 weeks since the Senate considered this amendment that Senator DASCHLE and I offered on July 17.

Here are central Illinois, corn prices. Here is where they were when we debated the amendment. Here is where they are now—a 21 percent decline in 6 weeks in the corn prices.

Here is central Illinois, soybean prices—again, a 21 percent decline in the past 6 weeks.

Here is Kansas City, hard red winter wheat prices—down 13 percent in the past 6 weeks, and headed south. There is nothing to indicate that it is going to come up.

Since July 16, the day the Senate passed its version of the agriculture appropriations bill, the following market prices declined:

Dodge City, KS, wheat—down 20 percent;

North central Iowa corn—down 26.1 percent;

North central Iowa soybeans—down 20.7 percent;

South Iowa and Minnesota hogs—down 11.5 percent;

Billings, MT, feed barley—down 20 percent.

That is just since the middle of July.

Here are the charts that I used in July to show what was happening to commodity prices, going clear back to 1990. It sort of drifts along, and we had a big spike in here from 1994 up to 1996. Then, after the 1996 farm bill was passed, the prices have been coming